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BILL ANALYSIS

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Senate Bill 428 (as introduced 4-24-07)
Sponsor: Senator Michelle A. McManus
Committee: Energy Policy and Public Utilities

Date Completed: 9-12-07

CONTENT

The bill would amend Public Act 3 of 1939, the Public Service Commission law, to require certain regulated electric utilities to deliver electricity at no additional charge to customers who purchased the power from suppliers other than the regulated utilities or, at a customer's option, to the customer's alternative supplier. A regulated utility would have to deliver electricity equal to that which the customer could have purchased from the utility at average retail rates for generation with the amount paid for all regulated electric utility nondistribution charges, including authorized securitization charges (described below).

Customers receiving electricity under the bill would have to pay retail distribution charges and transmission costs applicable to the electricity acquired from the regulated electric utility.

The bill specifies that "transmission costs" would include all incremental, out-of-pocket costs actually incurred by the regulated electric utility to transmit this electricity to the customer.

"Distribution charges" would include the direct costs of distribution service and a pro rata share of the implementation costs of customer choice under Sections 10 to 10cc of the Act (Those sections comprise the Customer Choice and Electricity Reliability Act.)

The bill would apply to a regulated electric utility serving more than 750,000 customers in this State that had sold its interest in a generating plant financed under Section 10i or that the PSC had determined had no stranded costs.

(The Customer Choice and Electricity Reliability Act, enacted in 2000, required the PSC to issue orders allowing customers of an electric utility or provider to choose an alternative electric supplier. The PSC also had to issue orders providing for full recovery of a utility's net stranded costs and implementation costs. (Stranded costs generally are capital investments paid for by customers that are not collectible if customers switch to an alternative supplier.) The PSC was required to issue these orders by January 1, 2002.

Section 10i required the PSC to issue a financing order that authorized a utility to issue securitization bonds and approved the creation of securitization charges, i.e., nonbypassable amounts charged by an electric utility for the recovery of qualified costs, including regulatory assets (e.g., capital expenditures such a nuclear plant) and other costs that the utility would not be able to recover in a competitive market.)

Proposed MCL 460.6q Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

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